

UNITED STATES DISTRICT COURT
DISTRICT OF MINNESOTA

UNITED STATES OF AMERICA,)	INDICTMENT	CR 10-95 JNE/FLN
)		
Plaintiff,)	(18 U.S.C. § 2)	
)	(18 U.S.C. § 982(a)(1))	
v.)	(18 U.S.C. § 1341)	
)	(18 U.S.C. § 1343)	
TROY DAVID CHAIKA,)	(18 U.S.C. § 1349)	
)	(18 U.S.C. § 1957)	
Defendant.)	(28 U.S.C. § 2461(c))	

THE UNITED STATES GRAND JURY CHARGES THAT:

BACKGROUND

1. At all relevant times, Defendant TROY DAVID CHAIKA ("defendant Chaika") and Dustin Lee LaFavre ("LaFavre") were residents of the State of Minnesota.
2. At all relevant times, defendant Chaika was licensed to transact real estate in the state of Minnesota.
3. At all relevant times, defendant Chaika and LaFavre conducted business using the names Superior Investment Group ("Superior") and TDC Enterprises ("TDC"), both of which were incorporated in the state of Minnesota. At all relevant times, defendant Chaika and LaFavre were officers of Superior, and defendant Chaika was an officer of TDC.

WIRE/MAIL FRAUD SCHEME

4. From in or about 2005, through in or about 2008, in the State and District of Minnesota, the defendant,

TROY DAVID CHAIKA,

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and others known and unknown to the grand jury, each aiding and abetting the other, devised and intended to devise a scheme and artifice to defraud and to obtain money by means of materially false and fraudulent pretenses, representations, and concealment of material facts.

5. Defendant Chaika and LaFavre negotiated with builders of new residential properties and owners of existing residential properties to buy residences at reduced prices.
6. The reduced prices negotiated by defendant Chaika and LaFavre were typically 15 to 20 percent lower than the prices at which the residences had previously been offered for sale ("list price").
7. Once defendant Chaika and LaFavre negotiated the reduced price for a residence or a package of multiple residences, defendant Chaika and LaFavre attempted to locate a buyer for each of the properties.
8. To locate buyers, defendant Chaika and LaFavre approached their personal contacts, advertised the properties on-line, and worked with local mortgage brokers.
9. Once a potential buyer was identified, defendant Chaika, LaFavre or another person acting on their behalf explained the possible purchase of one of these residences as an investment. Specifically, the potential buyer was told the purchase of the residence would involve the buyer paying nothing for the

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purchase and the buyer receiving a large cash payment ("kickback") after the purchase, such that the buyer could improve the property, rent it for a time, and eventually sell it at a profit.

10. Defendant Chaika and LaFavre often failed to tell the buyer of the reduced price negotiated by defendant Chaika and LaFavre and instead quoted the buyer an inflated price that was closer to or sometimes higher than the seller's list price.
11. Through this inflated pricing, defendant Chaika and LaFavre were able to build into the price the promised cash kickback to the buyer and a cash kickback to themselves, both to be paid through Superior or TDC.
12. Defendant Chaika, LaFavre, or another acting on their behalf, drafted purchase agreements for the buyers. The purchase agreements - provided to potential lenders to secure mortgage loans - reflected only the inflated price of each residence and did not disclose the kickback to be paid to the buyer following completion of the sale. These misrepresentations were material.
13. Occasionally, defendant Chaika, LaFavre, or another acting on their behalf purported to disclose to the potential mortgage loan lender the kickback to be paid to the buyer on a document titled "addendum to the purchase agreement." This did not result in actual disclosure to the lender, however, as

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defendant Chaika, LaFavre or another acting on their behalf concealed the addendum from potential mortgage loan lenders during the loan application process, thereby concealing material facts.

14. In addition, defendant Chaika, LaFavre, or another acting at their direction occasionally worked with property buyers and mortgage loan officers to prepare false documents for the mortgage loan application process. The misrepresentations in these documents were material.
15. In some instances, defendant Chaika or LaFavre loaned buyers money to make the down payments on the residences, to temporarily inflate the balance of the buyers' bank accounts, and to fulfill the buyers' "cash to close" obligations.
16. Defendant Chaika, LaFavre, or another acting in concert with them falsely represented the true source of these funds to mortgage loan lenders. These misrepresentations were material.
17. As a result of this multi-faceted and intentional deception by defendant Chaika, LaFavre, and others acting at their direction, numerous mortgage loan lenders agreed to fund mortgage loans for the purchase of residential properties as arranged by defendant Chaika and LaFavre.
18. After securing mortgage loan funding for a residential purchase, that purchase would be completed through a closing

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at a local title company. Several title companies - including but not limited to those hereinafter identified as "Title Company A" and "Title Company B" - handled closings for the residential purchases negotiated by defendant Chaika, LaFavre and others acting at their direction.

19. The closing process for each residence purchase involved, in part, an agent of the contracted title company ("the closer") preparing documents that memorialized the terms of the transaction arranged by defendant Chaika, LaFavre or another acting at their direction. The documents fraudulently listed the inflated price of the residence as the true sales price and failed to disclose the cash kickback to the buyer. These misrepresentations were material.
20. Defendant Chaika and LaFavre knew and intended that the mortgage loan lenders would rely on these false closing documents in funding the mortgage loan(s) to complete the individual purchases.
21. After a residential purchase was complete, the buyer received the promised kickback directly from the closer or from defendant Chaika, LaFavre, or another acting at their direction. This, along with the payment to defendant Chaika, LaFavre, Superior, and/or TDC was funded with the remaining mortgage loan proceeds.
22. Through this scheme, defendant Chaika, LaFavre, and others

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working at their direction arranged approximately 183 residential property transactions and aided buyers to secure mortgage loans totaling more than \$43 million for these transactions.

23. Most of the buyers have defaulted on these mortgage loans, resulting in significant losses to the mortgage holders, and substantial damage to the buyers' credit.

COUNTS 1-7
(Wire Fraud)

24. The grand jury re-alleges the allegations contained in paragraphs 1 through 23, of this Indictment.
25. On or about the dates set forth below, in the State and District of Minnesota, the defendant,

TROY DAVID CHAIKA,

along with Dustin Lee LaFavre and others known and unknown to the Grand Jury, each aiding and abetting the other, for the purpose of executing the above-described scheme and artifice, did knowingly cause to be transmitted, in interstate commerce, by means of wire communication, certain signals and sounds, as further described below:

Count	On or About Date	Wire Communication
1	December 27, 2005	Wire transfer of \$56,465.48 from Marshall & Ilsley Bank (M&I Bank) in Wisconsin to Superior's account at Wells Fargo Bank in Minnesota

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2	December 29, 2005	Wire transfer of \$127,440.47 from Marshall & Ilsley Bank (M&I Bank) in Wisconsin to Superior's account at Wells Fargo Bank in Minnesota
3	December 30, 2005	Wire transfer of \$114,531.80 from Marshall & Ilsley Bank (M&I Bank) in Wisconsin to Superior's account at Wells Fargo Bank in Minnesota
4	December 30, 2005	Wire transfer of \$44,286.31 from Marshall & Ilsley Bank (M&I Bank) in Wisconsin to Superior's account at Wells Fargo Bank in Minnesota
5	January 3, 2006	Wire transfer of \$101,110.77 from Marshall & Ilsley Bank (M&I Bank) in Wisconsin to Superior's account at Wells Fargo Bank in Minnesota
6	January 13, 2006	Wire transfer of \$54,765.01 from Marshall & Ilsley Bank (M&I Bank) in Wisconsin to Superior's account at Wells Fargo Bank in Minnesota
7	December 20, 2007	Wire transfer of \$442,076.30 from Chase Bank in Illinois to Title Company B's account at Anchor Bank in Minnesota

All in violation of Title 18, United States Code, Section 1343 and 2.

COUNT 8-10
(Mail Fraud)

27. The grand jury re-alleges the allegations contained in paragraphs 1 through 23 of this Indictment.
28. On or about the dates set forth below, in the State and District of Minnesota, the defendant,

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along with Dustin Lee LaFavre and others known and unknown to the Grand Jury, each aiding and abetting the other, for the purpose of executing the above-described scheme and artifice, did knowingly cause to be delivered by the United States mail and interstate commercial carrier, according to the direction thereon, the matter particularly set forth and described below:

Count	On or About Mailing Date	Description	Sender	Recipient
8	January 2, 2006	Closing package for Dxxx Fxxxxx	Title Company A	Accredited Home Lenders, Inc.
9	January 2, 2006	Closing package for Dxxxx Gxxxxxx	Title Company A	BNC Mortgage, Inc.
10	January 13, 2006	Closing package for Cxxxxx Jxxxxxx	Title Company A	American Home Mortgage

All in violation of Title 18, United States Code, Sections 1341 and 2.

COUNT 11

(Conspiracy to Commit Wire Fraud and Mail Fraud)

29. The grand jury re-alleges the allegations contained in paragraphs 1 through 23, of this Indictment.
30. From in or about 2005, through in or about 2008, in the State and District of Minnesota, defendant,

TROY DAVID CHAIKA,

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along with Dustin Lee LaFavre and others known and unknown to the grand jury, did knowingly and willfully combine, conspire, and agree with each other and other persons known and unknown to the Grand Jury to commit offenses against the United States, including:

- a. Executing a scheme and artifice to defraud and to obtain money, by knowingly causing to be transmitted, in interstate commerce, by means of wire communication, certain signals and sounds, in violation of Title 18, United States Code, Section 1343; and
- b. Executing a scheme and artifice to defraud and to obtain money, by knowingly causing to be delivered by the United States mail and interstate commercial carrier, according to the direction thereon, certain matters, in violation of Title 18, United States Code, Section 1341.

PURPOSE OF THE CONSPIRACY

31. The purpose of the conspiracy was to fraudulently obtain loan proceeds by making materially false representations and concealing material information about the residential property purchases.

MANNER AND MEANS

32. As described above, the manner and means of the conspiracy

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included:

- a. Falsely representing to mortgage loan lenders that the inflated price of the residence was the true sales price;
- b. Falsely representing the buyer's true financial situation to mortgage loan lenders;
- c. Falsely representing to mortgage loan lenders the buyer's true financial stake in the purchase of one or more residences; and
- d. Concealing from mortgage loan lenders that the buyer would receive an undisclosed cash kickback from the mortgage loan proceeds once the sale of the residence was complete.

All in violation Title 18, United States Code, Section 1349.

FORFEITURE ALLEGATIONS

The Grand Jury re-alleges and incorporates paragraphs 1 through 23 of the Indictment, and makes it a part of these forfeiture allegations.

As the result of the offenses alleged in Counts 1 through 10 of this Indictment, the defendant,

TROY DAVID CHAIKA,

shall forfeit to the United States pursuant to Title 18, United States Code, Section 981(a)(1)(C), and Title 28, United States Code, Section 2461(c), all his rights, title and interest in any property constituting, or derived from, proceeds traceable to the

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violations of Title 18, United States Code, Section 1341, 1343, 1349 and 2.

If any of the above-described forfeitable property, as a result of any act or omission of defendant Chaika:

- (1) cannot be located upon the exercise of due diligence;
- (2) has been transferred or sold to, or deposited with, a third person;
- (3) has been placed beyond the jurisdiction of the Court;
- (4) has been substantially diminished in value; or
- (5) has been commingled with other property which cannot be subdivided without difficulty;

it is the intent of the United States, pursuant to Title 21, United States Code, Section 853(p), as incorporated by Title 18, United States Code, Section 982(b)(1) and by Title 28, United States Code, Section 2461(c), to seek forfeiture of any other property of defendant Chaika up to the value of the above forfeitable property. All in violation of Title 18, United States Code, Sections 2, 981(a)(1)(C), 982(a)(1), 1341, 1343, 1349, 1956(a)(1)(B)(i), 1957 and Title 28, United States Code, Section 2461(c).

A TRUE BILL

UNITED STATES ATTORNEY

FOREPERSON